

REQUEST #4

Kann, Patricia

From: Hubbard, David A
Sent: Monday, February 24, 2003 12:03 PM
To: Gibbs Tschudy, Deborah
Subject: FW: WTI-Calendar Delta explanation

Debbie, the explanation below of Platts "delta" assessment resulted from a phone conversation I had this morning with John Kingston and Sheela Ponnusamy (domestic crude editor). You were unavailable at the time Mr. Kingston called.

We discussed Platts assessments at Guernsey, Line 63, and Kern River as well as ANS. Sheela said that for Guernsey, over the past few months market activity was more pronounced, averaging 3-4 trades a day over that span. But before that, trading was much more limited.

For ANS, she said about 4-6 cargoes a month are traded and she was quite confident they formed a reasonable basis for Platts' assessments.

For Line 63, she said the level of transactions is limited, similar to Guernsey (implication being Guernsey activity longer than two or three months ago).

For Kern River, she said there is much more activity-- 5-7 deals a day involving about 7,000 bpd.

Platts publishes only posted price averages for Canadian crude, and any differentials to WTI are based on those postings and not a separate "spot" assessment by Platts.

The response Sheela gives below is in response to my question about Platts published "WTI delta." I also asked about Platts:

-WTI "EFP" assessment (typically flat or + a penny)--it means Exchange for Physical and represents the small premium paid for physical barrels.

-P-5 WTI--means similar to (Koch) P-plus, but uses the arithmetic average of 5 postings--ConocoPhillips, Sun, Plains Scurlock, EOTT, and Equiva/Shell. Done in response to comments that Koch posting too limited as P-plus basis.

-P-plus Line 63--similar in concept to P-5 WTI--uses arithmetic average of postings for Buena Vista field among Chevron, Mobil, Shell, and Union 76.

I told John you probably had some other questions; he would like you to call him (if you haven't already) at 212-904-3121.

-----Original Message-----

From: sheela_ponnusamy@platts.com [mailto:sheela_ponnusamy@platts.com]

Sent: Monday, February 24, 2003 11:25 AM

To: Hubbard, David A

Subject: WTI-Calendar Delta explanation

WTI calendar delta trades are typically based on the average of the NYMEX WTI front-month during a month plus or minus a delta.

The delta fluctuates with the front/second and front/third month WTI spreads, and with bids and offers in the market.

In the absence of trades, we take the difference between our WTI P-plus assessment and the postings basis (which is the difference between NYMEX WTI and Koch postings).

I hope this explanation is sufficient. If there are any more questions, pls do not hesitate to call me at 212 904 4105.

Regards

Sheela Ponnusamy

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MARKET REPORTING in NORTH AMERICAN NATURAL GAS AND ELECTRICITY

Recommendations for Restoring Trust and Transparency: A Call to Action

Introduction

Trust in the North American natural gas and electricity markets has suffered serious erosion over the past year. It has become increasingly clear that some energy companies and individual traders have repeatedly attempted to manipulate the price indexes produced by publishers such as Platts. These actions have undermined confidence in independent price benchmarks, and to a degree, in the market itself.

This crisis of confidence has stemmed from questions raised about the accuracy and completeness of data provided to publishers — not from the publishers' methods of calculating prices. Platts believes that there are immediate measures that market participants can and should take to help restore credibility and transparency to the industry. Indeed, Platts has been urging these measures since mid-2002 and is again calling on industry members to demonstrate the leadership necessary to return trust to the market.

To further those goals, Platts is publishing this paper, which addresses recommended industry actions and the role that Platts and other independent publishers play in advancing market transparency.

Call to Action

The most meaningful commitment needed from market participants at this time is to make their activities as transparent and observable as possible. The public, elected officials, and the investment and regulatory communities are demanding more transparency and are insisting that the underpinnings of transparency — market data — be thoroughly verifiable.

Platts' ongoing effort to encourage market participants to support strengthened price reporting is beginning to bear fruit. A growing number of industry members are now reporting more reliable data. But too many others are not, including some market participants who are demanding improved transparency and price discovery, yet are still failing to provide meaningful trading and pricing information themselves.

Market participants of all types and sizes undoubtedly can continue to find any number of excuses for refusing to provide detailed trade and price information. But it has long been clear to Platts — as well as other publishers — that participants with a sincere desire to support increased transparency can easily overcome any hurdles and provide verifiable price information without damaging their competitive positions. This can be done, for example, through the use of confidentiality agreements.

Some of the data-quality standards that Platts has advocated in written communications to the North American natural gas and electricity industry since last July include:

- Market participants should provide data from a central source in a mid- or back-office operation that would have the responsibility for confirming the accuracy and completeness of the data provided to price-reporting organizations such as Platts.
- Market participants should submit detailed transactional level data — not aggregated data.
- Market participants should provide counterparty information for each transaction reported. The naming of counterparties offers an important check for verifying the completeness and accuracy of trade data.
- Market participants should provide written certification from a senior level official, such as a chief risk officer, attesting to the accuracy and completeness of the information reported to publishers. This certification would be renewed periodically.

Market participants should understand that these measures and others noted below can only serve to re-establish confidence and credibility in price reporting on the North American gas and electricity markets.

What Is the High-Quality Data that Makes for Reliable Benchmarks?

Platts has been urging the industry at all levels to address the issue of market transparency. Late last year, Platts' President Harry Sachinis wrote to the CEOs of more than 250 major energy companies to encourage them to lead the effort to improve data quality and market transparency. And

at numerous industry conferences and other gatherings, Platts' editors have made the case for strengthening transparency to hundreds of industry participants.

In North America, Platts is asking electricity market participants to provide for each transaction the delivery location, trade date, start flow date, end flow date, peak or off-peak, physical or financial, price (\$/MWh), volume (MW), transaction time, buy or sell indicator, and counterparty. In the gas market, Platts asks market participants to provide for each transaction the delivery location, the trade date, flow date, price (\$/MMBtu), volume (Mcf), and counterparty, and to state whether the deal is fixed-price physical or basis and whether it is a buy or sell transaction.

Information on counterparties, buy/sell indicators and time stamps is critical to the process of verifying data. This information will help Platts in its efforts to confirm such data characteristics as completeness (by enabling publishers to detect a provider's omission of certain deals) and accuracy, and it will serve as a check against double counting. In fact, counterparty information is one of the best means for publishers to identify inaccurate or, indeed, fictional transactions. The industry should make the provision of counterparty names a top priority and resolve confidentiality or other issues that some companies say prevent them from providing that information.

Moreover, additional information such as counterparty names, buy/sell indicators and time stamps may well be useful to determine a market price and to produce better benchmarks in relatively illiquid markets or during unusual trading conditions when markets are under stress.

Verification and Auditing

Some industry groups and regulators are issuing a call for higher standards of verification to assure confidence in the markets, including an auditing process governing submissions by data providers to publishers. Such a process undoubtedly would provide an added layer of assurance.

However, periodic audits would not address the practical day-to-day need to enhance the quality of the data and the robustness of published benchmarks. And any provision calling for a third-party audit of publishers' confidential news, price gathering and related editorial processes would be contrary to the journalistic approach followed by Platts and other publishers. Such a requirement would severely hinder Platts' ability to cover the energy industry and to foster increased transparency, better price discovery and healthier markets — a role Platts has served for more than 75 years.

Platts has a full-time internal compliance officer who is responsible for market reporting. The compliance officer operates independently of the editorial group and conducts periodic internal audits of Platts' market reporting to see that it meets internal standards for editorial processes and record-keeping.

Governmental Participation

Platts believes that price assessments published by independent sources with rigorous editorial standards — supported by robust data, keen market observation and analysis — are the most effective benchmarks. This is, indeed, the job for private enterprise and not for the government.

Federal and state regulators can make an important contribution to strengthening the system by supporting the need for more open and observable behavior by market participants, and encouraging the disclosure of more market information.

Platts also respectfully points to at least one area where the Federal Energy Regulatory Commission can act to improve transparency in the U.S. electricity markets.

FERC can quickly make electricity markets more transparent and trustworthy by no longer tolerating the submission by market participants of inaccurate, incomplete and confusing transactional data under FERC's quarterly reporting requirements. FERC has required quarterly transactional reports since 1994, and revised those requirements last year explicitly to increase transparency and enhance FERC's ability to monitor electricity markets. Yet, although a few reporting companies provide meaningful data, many do not.

If FERC would insist on the submission of accurate, complete and meaningful transactional data, it would provide the public and benchmark publishers with a useful, after-the-fact tool for analyzing prices and market behavior, and discovering potential instances of manipulation and abuse. And if FERC would review and check the data to ensure its accuracy, these quarterly reports would also provide publishers with another measure for assessing the accuracy of data reported for the purpose of creating benchmarks.

FERC would need to be given the authority by Congress to impose a similar reporting requirement in the U.S. natural gas market, an authority it currently lacks. Data reported to FERC could provide a useful after-the-fact check on transactions reported to publishers, if steps were taken to tighten reporting standards, as outlined above.

The Role of the Price Publisher

The effectiveness of Platts — or any publisher — in collecting the breadth and depth of information needed to bring price transparency to energy markets is based on its reputation for integrity, objectivity and independence. The markets want an unbiased source of information. But in the end, the success of the publisher is based on the degree to which the market and the public can trust that the published benchmarks are credible and reliable.

As a publisher reporting on markets, Platts assesses market values through a journalistic approach that involves both observing market behavior and gathering pertinent price information available in the market. It has a long and

estimable record of success in determining the transactable value of energy commodities, either in the form of assessments or indexes. This is due to its experience in observing and analyzing available market information.

For more than 75 years, the global energy industry has looked to Platts as the most reliable source of industry news and price benchmarks. In providing trustworthy price information, Platts plays a vital role in maintaining the transparency of the markets on which it reports and makes a significant contribution to the effective and efficient operation of these markets.

In the petroleum market, for instance, Platts played a leadership role in re-vamping and re-configuring the critical North Sea Brent crude oil market through its pioneering work with the industry in inventing the Brent-Forties-Oseberg, or BFO, price mechanism. Similarly, Platts pursued changes in the basis it uses to assess daily spot prices for Dubai crude oil, a key pricing benchmark for Middle East supplies. The result was an improvement in price stability for Middle East and Asian oil markets.

In the United States, where wide-ranging government inquiries into market manipulation have captured the headlines, Platts has been at the forefront with its initiatives designed to strengthen its benchmarks in natural gas and electricity and restore trust in the data submitted by market participants to Platts.

Platts' Analysis in Liquid and Illiquid Markets

Platts uses clear and transparent methodologies in all the markets it covers, and works tirelessly to ensure that its methods of price discovery are rigorous and current with changing market conditions. Platts' editors have deep knowledge of the markets they assess and are experienced in filtering out what they perceive as incomplete or inaccurate data in both liquid and illiquid markets. In other words, while no methodology can be foolproof, bad data submitted into the process does not necessarily yield bad data out.

As the North American natural gas and electricity wholesale markets evolved over the past decade, Platts typically had access to voluminous transactional data from highly liquid markets. In those liquid markets, Platts has traditionally used an assessment process emphasizing a volume-weighted average of trade data to produce an index value. But Platts' methodologies for formulating an index value have never been mechanical. Its editors are trained so that they can consider other relevant market information, such as confirmed bids and offers and relationships with other market locations, to determine a true transactable market price.

Today, trading in the gas and electricity markets in many locations is thin and difficult to observe. The problem has been compounded by the decision of some market participants to pull back from disclosing market information to publishers such as Platts.

But Platts has long and extensive experience in analyzing and assessing illiquid markets. Platts believes that

assessments of illiquid markets — based on any market information available, including fixed-price spot transactions, confirmed bids and offers, and relationships with related market locations — are dependable and of high value and, in fact, are superior to an index based on limited transaction data in determining prices in illiquid situations.

A price assessment in an illiquid market is neither a guess nor an estimate. Rather it represents a transactable value — the price at which a transaction could, in the publisher's judgment, take place.

Platts believes that indexes based on a simple volume-weighted calculation, without analytical scrutiny, are more susceptible to manipulation than an evaluation that uses an editorial process, especially in thinly traded markets. Strict, volume-weighted averages are being promoted by on-line exchanges and others as a superior method of benchmarking prices, but Platts disagrees with this approach. A simple example: a trade conducted on an on-line exchange could be offset by a separate transaction done in the OTC market. Platts' surveys are designed to capture deal-making regardless of the forum for trading and to make use of reporters' research and analytical skills.

Some U.S. gas and electricity pricing points currently are showing little or even no trading. Platts editors can use their experience to assess the representative prices at which limited trading did occur or, in the absence of trades, would have occurred.

Platts is committed to providing as much transparency as possible on how such assessments are made and what method is used to produce a given price. In U.S. gas markets in recent months, Platts has used its traditional index methods for trading points that are sufficiently liquid and a broader assessment process when we have concluded that transactional data alone provides an insufficient base for analysis. Once the market shows signs of stabilizing, Platts will provide a clear statement on how it intends to assess U.S. gas markets in the longer term.

Platts agrees with those who assert that the degree of liquidity of a given market should be disclosed by publishers in some fashion. It already provides information on liquidity for many of its U.S. gas and electric benchmarks, and is moving toward expanding the provision of that type of information. While volumetric information may be subject to misinterpretation or may even encourage attempts to manipulate markets, Platts is committed to providing a window on the depth of the trading points it covers.

Tools Available to Platts in Observing Markets

Platts and other publishers have no government mandate, no subpoena power, and cannot compel companies and sources to provide information for the formulation of price benchmarks. Platts believes that most companies and individual traders recognize the vital role that independent price discovery plays in the markets, and the importance of

ensuring that the data they contribute to publishers is clean, accurate, complete and unbiased.

In those instances where energy traders attempt to exploit market mechanisms by submitting false information, Platts employs mechanisms that are designed to filter out inaccurate data. When Platts discovers an attempt at manipulation, the most simple and effective sanction available to Platts is to exclude the source of that information from future assessments. For a company, losing the ability to have its trades reflected in the formation of price benchmarks is a serious penalty. If Platts deems a source to be unreliable, its reporters are instructed to refuse to accept information from that source until Platts has received appropriate assurances from senior management of the source's organization that it will, in the future, report all applicable transactions fully and accurately.

Furthermore, Platts has the ability to evaluate and publicize companies' efforts to provide high-quality data. Platts is a publisher of news as well as price benchmarks, and has a strong track record of reporting about market issues, without fear or favor.

For example, in September 2001 Platts reported at length about concerns that EnronOnline provided the potential for Enron to exercise market power and manipulate prices, eight months before regulators pointed to EnronOnline as a tool allegedly used by Enron to just that end. And in April 2002, Platts was the first news organization to report on the potential threat of wash trading in gas and electricity markets. A month later it uncovered and reported on large

amounts of electricity wash trading between two firms.

Finally, it has become apparent through recent arrests and indictments of former energy traders that law enforcement authorities will treat any attempt to use false information to influence published price benchmarks as a serious criminal offense. These prosecutions will serve as a strong deterrent to any attempt to manipulate benchmarks in the future.


Summary — A Call to Action

Platts believes that efficient energy markets depend on price transparency. Simply put, market participants should take immediate steps to make their activities as transparent and observable as possible.

These steps should include, as a minimum, the four actions that Platts has been urging since July 2002:

- Market participants should provide deal data from a central source;
- Market participants should submit detailed transactional level data, not aggregated data;
- Counterparty information should be provided for each deal reported; and
- A senior official, such as a chief risk officer, should certify the accuracy and completeness of data provided to publishers.

Platts looks forward to working with the North American natural gas and electricity industry to restore the public trust that is essential for markets to function fairly and effectively.



Platts Price Reporting in U.S. Gas Markets

Liane Kucher
Markets Editor
Inside FERC's Gas Market Report

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Platts' role in price assessment

Price reporting in U.S. gas market since late 1980s. Leading role through publication of *Inside FERC's Gas Market Report* and *Gas Daily*.

Price reporting in U.S. electricity market since mid-1990s. Leading role through publication of *Power Markets Week* and *Megawatt Daily*.

Price reporting in world oil markets for over 70 years. Also leading coverage of European power and international petrochemical and metals markets.

Challenges in today's markets

California energy crisis of 2000-01, calling credibility of wholesale power and gas markets into question.

Collapse of leading marketing companies, substantially reducing market liquidity.

Reports of wash trades, five companies' revelations of inaccurate data reporting to publications.

FERC staff report in August on California gas market.

Indictments of two traders.

Platt's response to market on July 1

Began issuing notices to industry in July proposing:

- Systematic electronic company reports from a back office or central location other than trading desks.
- Written certification of accuracy and completeness by a senior company official.
- Emphasis on more detailed reports, including individual transactions, counterparties, time stamps, the company's role as buyer or seller, and/or other identification.

Changes in Platts Methodology

Platts' methodology has always been public and consistently applied.

Historical "index" methodology relies on consummated transactions, but is not necessarily a volume-weighted average. Editors use judgment to take other market factors into account.

Since October, reduced liquidity has required "assessments" at some pricing points in monthly survey. Liquidity rebounded somewhat in February monthly market.

Currently using mix of index and assessment methodologies for monthly survey. Daily survey still based on consummated transactions.

What is an assessment?

An assessment is NOT a guess or an estimate. It is NOT the product of a "black box" formula.

An assessment defines a "transactable value" -- the price at which a transaction could have taken place during the assessed time period.

Information used to form an assessment includes any transactions consummated, confirmed bids and offers, differentials to more liquid trading points, daily trading during bidweek, derivatives trading and other market data.

Why use assessments?

Commodities have implicit values, even when they are not being traded.

Indexes based on mechanical calculations in thinly traded markets are more susceptible to manipulation than assessments derived through editors' expertise.

Platts has considerable experience in international oil and other markets using an assessment methodology.

Platts has the staff size and experience to ensure thorough, reliable price surveys.

Transparency of gas market

Platts for years has published volumes for all daily gas price points, enabling users to gauge depth of trading.

Platts is considering ways to show degree of liquidity for monthly price points and is committed to making its reporting as transparent as possible.

Verification of Price Reporting

Data providers should provide full, detailed data, including counterparties, on confidential basis. Platts will consider written confidentiality agreements.

Audits of data providers would be useful but are not a substitute for day-to-day high-quality reporting to publications.

Platts has a full-time compliance officer for market reporting who conducts periodic internal audits.

External audits of Platts' price reporting are not compatible with the roles of Platts and parent The McGraw-Hill Companies as independent publishers.

Ultimately, the marketplace will be the arbiter of Platts' reliability.

Other price reporting forms:

Use of online trading exchanges. Drawback: Exchanges represent only a portion of the market; Platts surveys entire market.

Reliance on NYMEX futures price. Drawback: NYMEX price discovery is only for Henry Hub. Platts reports 100 daily and 70 monthly price locations.

Federal government action. Drawback: New legislation and implementing regulations may be required even to collect data. Government to date has indicated task should be left to private enterprise.

How Platts' gas prices are calculated

Platts each year publishes approximately 125,000 daily U.S. gas prices and 2,500 monthly prices. To date, manipulation of prices has been alleged but not proven.

If the accuracy of a questionable deal cannot be verified, it is not used -- bad data in is not necessarily bad data out.

Traders in all markets attempt to influence prices. Use of editorial skill and judgment is vital to detecting and averting those attempts.

If Platts suspects attempted manipulation, it can exclude that company's data until the problem has been resolved.

Recent Initiatives by Elctric

Met in recent months with FERC officials, trade groups and numerous individual energy companies.

Filed comments on August FERC staff report.

Participated in Committee of Chief Risk Officers' ongoing review of price reporting.

Wrote to CEOs of all major energy companies encouraging them to step forward to help solve the problem.

Published statement of principles on reporting in U.S. gas and electric markets.

Positive industry developments

Recognition of the need to restore confidence is widespread. Some industry groups -- e.g., Natural Gas Supply Assn. -- have supported the reliability of price surveys.

Companies are responding to Platts' initiatives on back-office reporting and written verification.

EPSA code of ethics calls for "accurate and consistent" reporting of prices to trade publications.

CCRO recommendations on price reporting standards may help rebuild shaken foundation.

FERC technical conference in April may provide forum for building consensus.



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An overview

John Kingston, Global Director of Oil

Liane Kucher, Markets Editor, Platts Gas Publications

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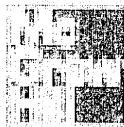
Highly-respected brand names

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& POOR'S

DENVER'S abc 7
THE DENVER CHANNEL.COM

BusinessWeek

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Education

platts



Information and Media Services

- **Aviation Week** (magazine, conferences, online, training, TV)
- **Broadcast group** (ABC affiliate US-based TV stations)
- **BusinessWeek** (magazine, online, events)
- **Healthcare Information** (magazines)
- **Construction Information Group** (FW Dodge, Sweets, magazines)
- **Platts**

Platts' Vision

We are Platts, transforming Platts' information into the most powerful tool for the energy industry's most demanding and complex challenges and solutions provided.

Through the acquisition of FT Energy, the most powerful energy companies has created the largest, most powerful energy information services and solutions, but the world is still the world.

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The New Platts: Profile

- Platts is the *world's largest* energy information provider.
- Platts provides decision-critical information to the petroleum, electricity, natural gas, coal, petrochemicals, metals, nuclear and shipping *industries*.
- Platts' *information capabilities* are the provision of benchmark pricing, real-time news, market and industry analysis, energy consulting, analytical databases, and geospatial tools.
- Platts' *customers* are traders, marketers, planners, analysts, managers, engineers, consultants, lawyers and governments.
- Platts creates *revenues* by selling information, consulting, analytical tools, advertising and conferences.
- Platts' *profits* are driven by the proprietary nature of its information, the quality of its analytical tools and consulting services, its brand, its customer base, and its ability to deliver through multiple channels.

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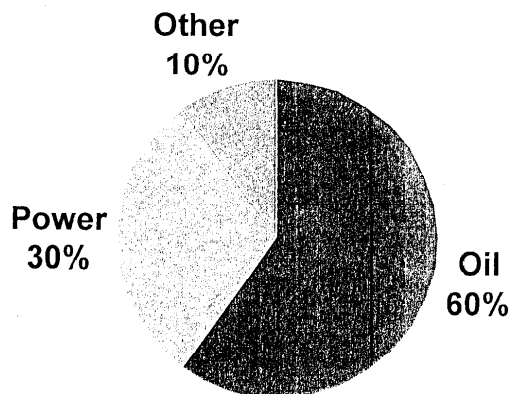
Instant history of Platts

- 1882: “Steam” magazine launched
 - Harold McGraw invests
- 1923: Warren C. Platt starts his Oilgram
- 1934: He spins off Oilgram News
- 1954: McGraw-Hill buys Platt’s for \$650,000
- 1970s: Platt’s starts petrochemical coverage
- early 80s: Crude Oil MarketWire launched
- 1984: EMIS launched
- 1984: Platt’s Global Alert starts up--with 20 pages
- 1990s: Platt’s takes over Metals Week
- 1999: Launch of Platt’s European Power service
- 1999: EMIS moves to the Web
- 2000: Platt’s, EBN and power magazines merge
- 2000: Platts drops its apostrophe
- 2001: Platts buys FT Energy

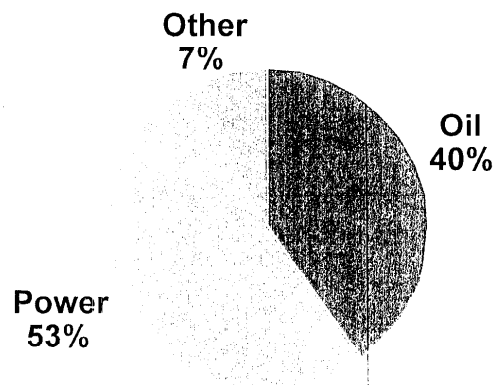
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The New Platts: by Market

Pre-Acquisition



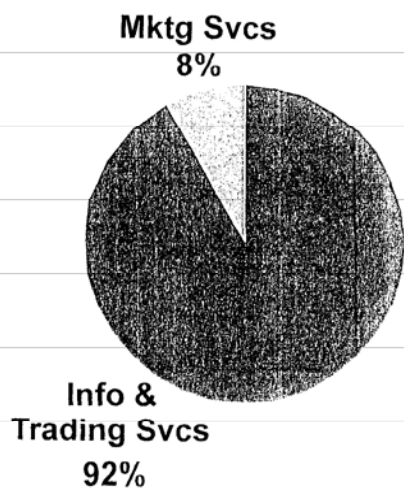
Post-Acquisition



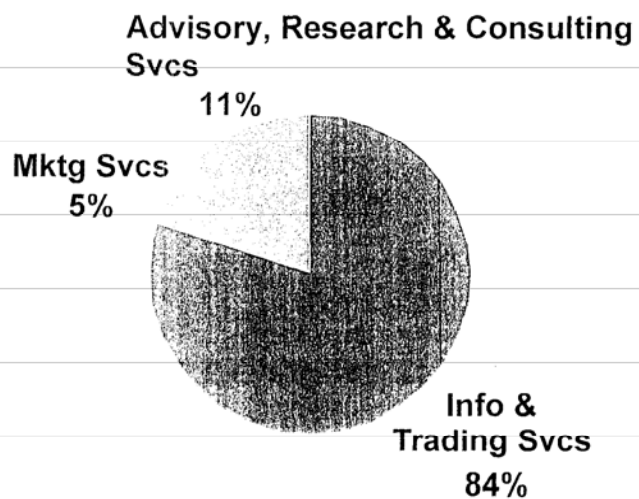
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The New Platts: by business type

Pre-Acquisition



Post-Acquisition

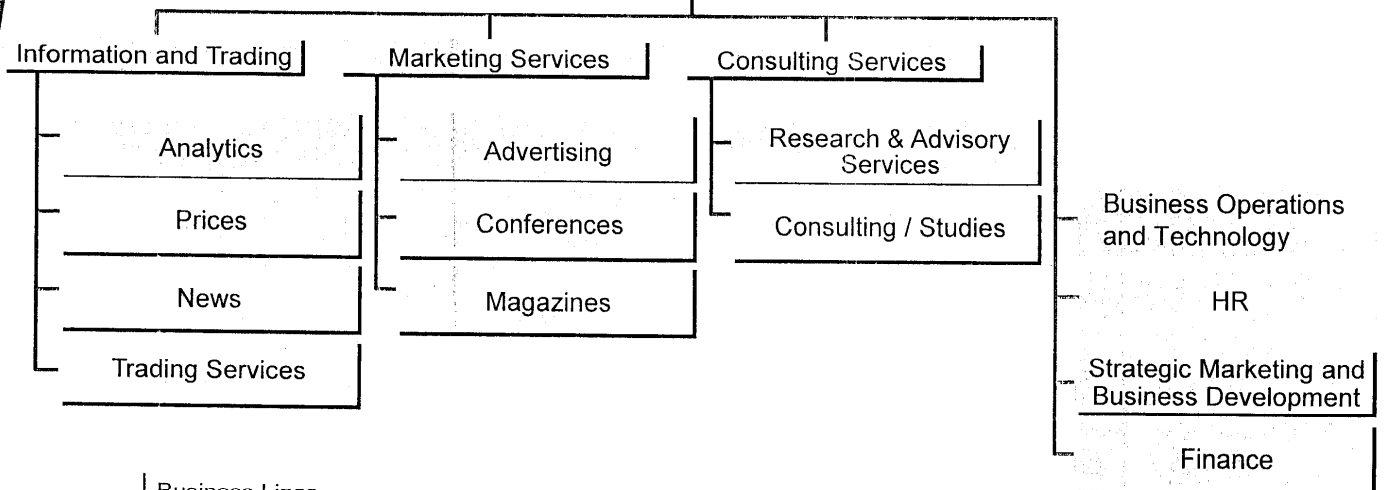


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The New Platts: A Global Structure

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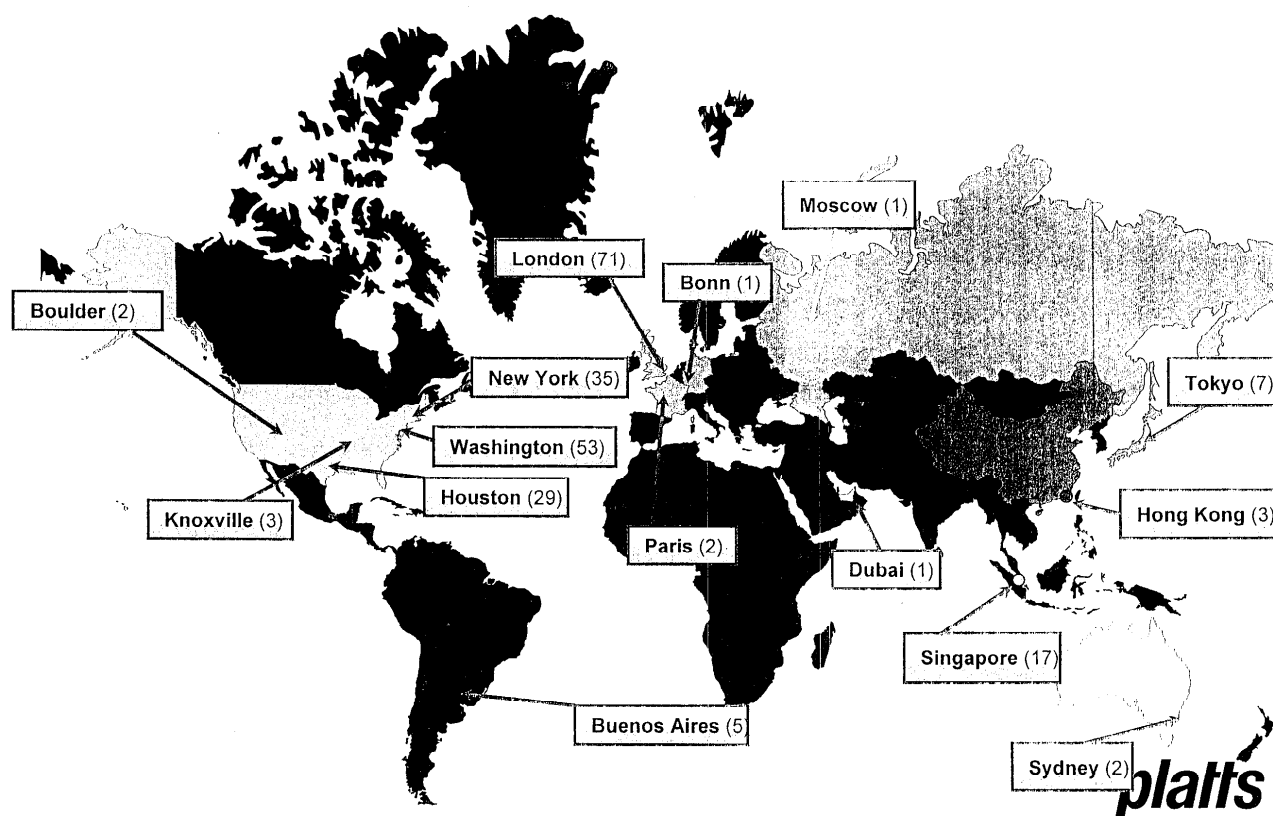


Business Lines

Shared Services

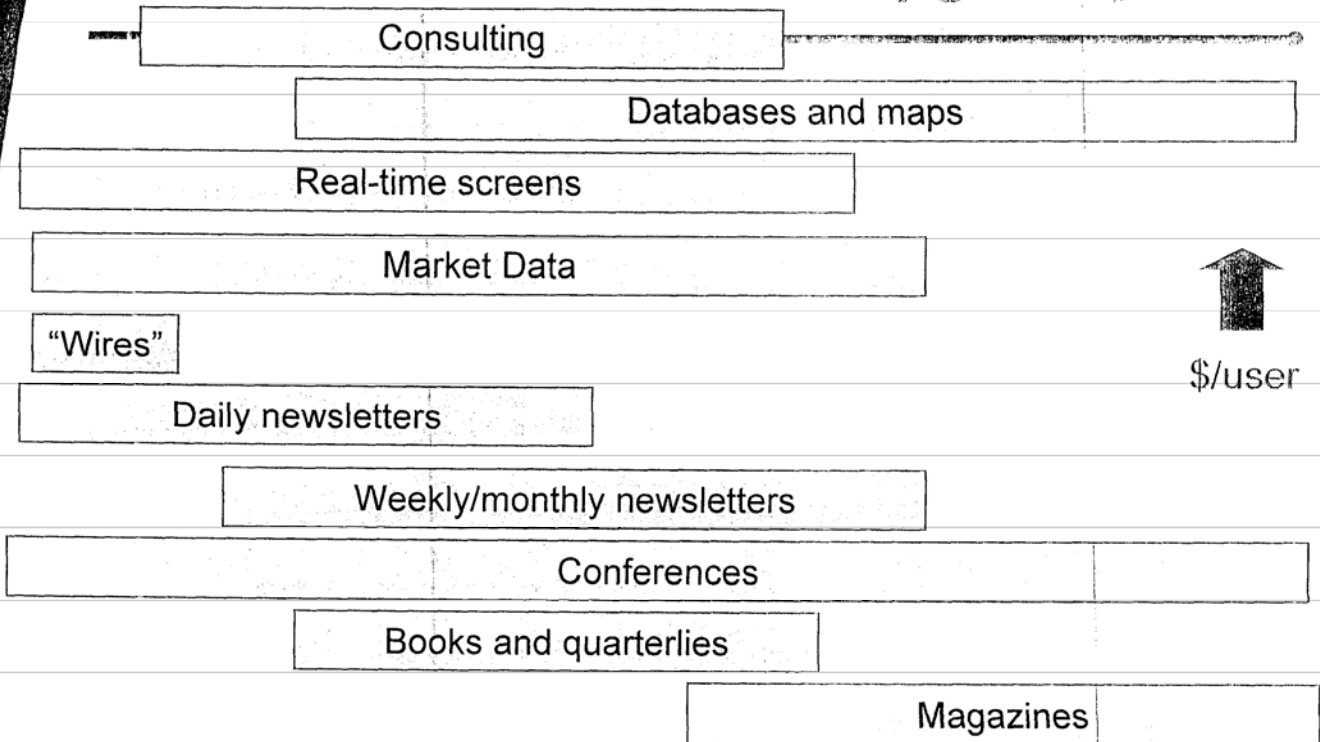
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Global Platts: Information and Trading Services



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Platts' business model: the upgrade path




Trading Planning and management Investment Engineering

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Platts specialty is secondary commodities

- Inelastic price response to supply/demand
- Inelastic supply response to demand
- Inelastic demand response to price



Price discovery and industry analysis are very hard. Information is at a premium.

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Platts' positioning

- **We solve problems**
- **We answer questions**
- **We are reporters, consultants and data experts**
- **We are price specialists**
- **We are real-time news and analysis experts**
- **We are information aggregators**
- **We facilitate business**
- **We are independent**
- **We are forbidden to engage with the industry**

Platts' editorial coverage

- Crude oil
- LPG
- Gasoline
- Naphtha
- Gasoil
- Fuel Oil
- Bunkers
- Tankers
- Aromatics
- Solvents
- Polymers
- Intermediates
- Precious metals
- Base metals
- European natural gas
- US natural gas
- UK power
- German power
- Netherlands power
- Spanish power
- Scandinavian power
- US power
- Nuclear
- Coal
- Emissions
- Energy policy
- Regulation
- Politics
- OPEC
- Environment

Unmatched by any competitor

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Platts' many products

- News
- Real-time market reporting
- Real-time market commentary
- Rolling “indicators”
- End of day commentary
- End of day assessments
- Historical data
- Weather information
- Database tools
- Geospatial tools
- Wall-maps
- Multi-client studies
- Consultancy

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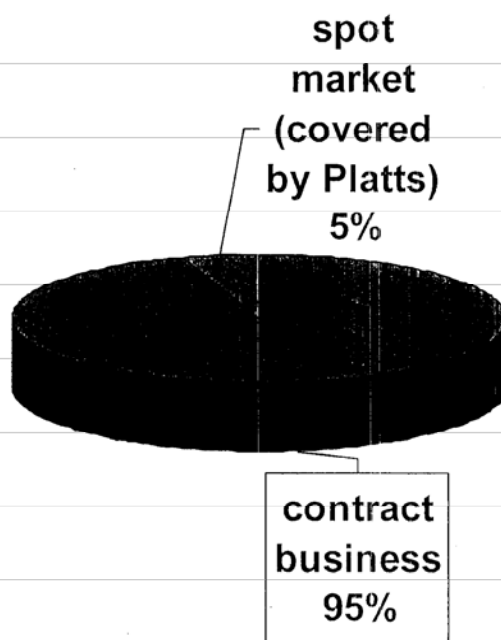
Market assessments are a key strength

- They represent “data origination”
- They are “viral”
 - the more the industry uses them, the more it must
 - one use spawns multiple uses
- And so they are very hard to compete with
 - assessments reinforce strength of Platts brand
 - Platts brand helps spread of new assessments

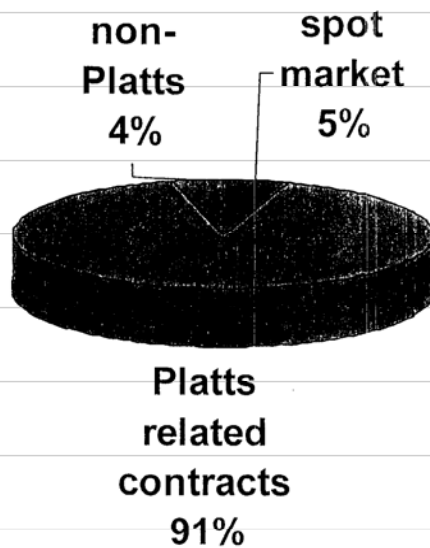
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Penetration of Platts oil assessments



Penetration of Platts oil assessments



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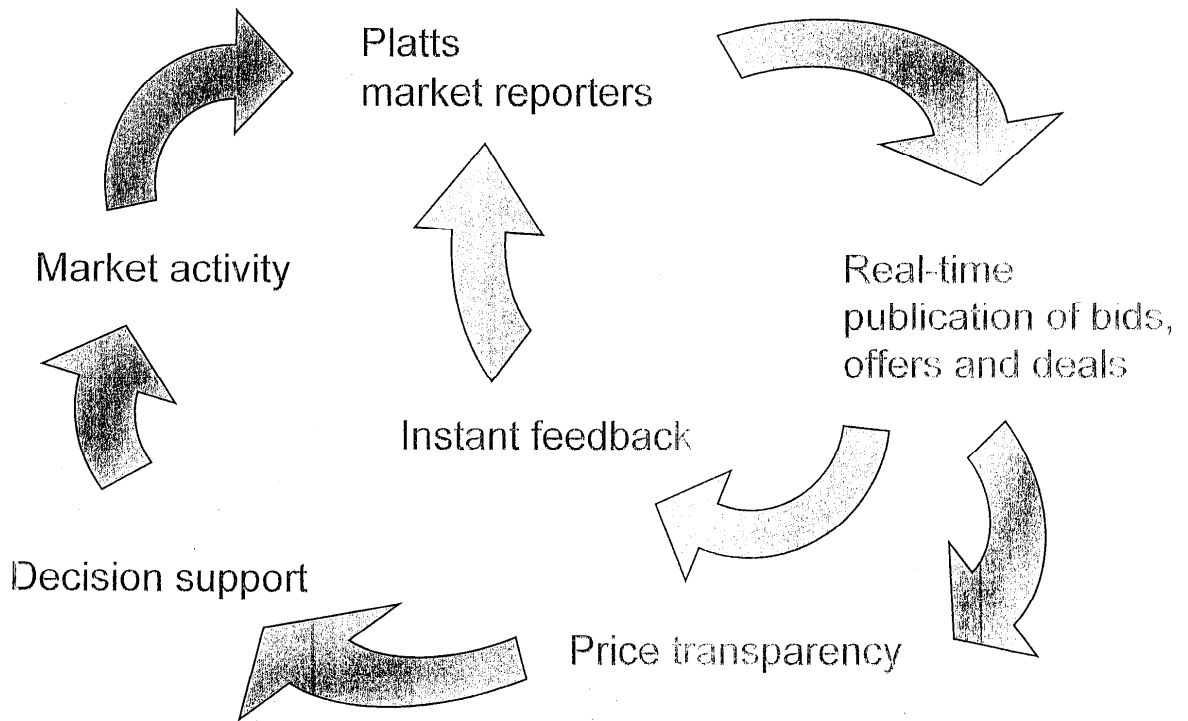
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Principles of market coverage

- Prices can be discovered through a process of market examination and analysis.
- Commodities have implicit values, even when they are not being traded.
- A Platts assessment reflects the level at which a commodity has traded, *or could trade*.
- Platts takes a similar approach to each market.
- Platts talks to as many participants as possible.
- Platts seeks to confirm all information published.

Role of real-time information



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What is an assessment?

- Not the product of a black box formula
- Not the trading range for a day
- Not (necessarily) the last deal done
- Not (necessarily) the bid-offer close
- But...the product of transparent methodology:

An assessment defines the “space” in which it was possible to trade in the assessed period.

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What is an index?

- It, too, is not the product of a black box formula, despite misperceptions.
- Platts indices have traditionally emphasized a volume-weighted average of trade data to produce an index value.
- But it isn't mechanical
- We challenge; we filter out data; we look at other relevant market information.
- Strict, volume-weighted averages are being promoted by on-line exchanges, as superior.

We don't agree.....

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Can this be performed in an illiquid market?

- Some markets are increasingly illiquid, due to collapse of energy merchant sector.
- Other companies have stopped reporting to Platts
- BUT.....
- Assessments of illiquid markets—based on any market information available, including fixed-price spot transactions, confirmed bids and offers, and relationships with related market locations—are dependable and of high value.
- Not a guess; not an estimate.
- Represents a transactable value

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Platts' US oil assessments

- Base price for WTI and key grade assessments are established in 30-minute window.
- Window is run out of New York.
- But Platts covers the market all day.....as evidenced by the activity on page 170 on Global Alert.

Platts US crude assessments

Platts Americas Crude Oil Assessments- 24Jan03

New York (Platts)--24Jan03/0451 pm EST/ 2151 GMT

WTI(FEB)	+35.40-35.41+	WTI Midland	+34.99-35.02+
WTI(MAR)	+33.59-33.62+	WTI 'P-Plus'	+5.21-5.23+
WTI(APR)	+32.48-32.49+	WTI-Delta	-1.96-2.03-
WTS Midland	+31.40-31.43+	Line 63	+32.31-32.34+
Eugene Island	+33.79-33.88+	Line 63 P-Plus	+0.90- 1.00
Mars (1st mth)	+30.71-30.74+	Kern River	-27.66-27.68-
Mars (2nd mth)	+29.83-29.88+	Thums	-27.64-27.66-
Poseidon	+30.92-30.95+	ANS (Calif.)	+34.36-34.39+
Bonito	+34.23-34.33+	Basrah Light*	+30.21-30.30+
Wyo Sweet	+34.54-34.57+	HLS	+34.69-34.72+
LLS	+35.42-35.45+		

***=vs 2nd mth WTI**

A very active window

- MH0170
- US Spot Crude 45: Mar WTI cash trades plus 25c
- 24Jan03/ 313 pm EST/2013 GMT
- --New York 2013 GMT: Mar WTI cash trades plus 25c
- --New York 2013 GMT: Mar WTI cash trades plus 30c
- --New York 2012 GMT: Mar WTI cash trades plus 29c
- --New York 2012 GMT: Mar WTI cash trades plus 25c
- --New York 2011 GMT: Mar WTI cash trades plus 25c
- --New York 2011 GMT: Feb/Mar WTI: Shell bid hiked 1.75
- --New York 2011 GMT: Mar WTI: BP bid hiked plus 25c
- --New York 2010 GMT: Mar WTI cash trades plus 24c
- --New York 2010 GMT: Mar WTI cash trades plus 25c
- --New York 2009 GMT: Mar WTI: BP bid hiked plus 20c
- --New York 2009 GMT: Mar WTI cash trades plus 14c
- --New York 2008 GMT: Mar WTI: BP bid hiked plus 10c
- --New York 2007 GMT: Mar WTI: BP bid hiked plus 5c

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But earlier in the day...

- **MH0170**
- **US Spot Crude 8: Feb LLS trades flat**
- **24Jan03/1248 am EST/1748 GMT**
- **--New York 1748 GMT: Feb LLS trades flat**
- **--New York 1748 GMT: Feb Midland trades 40c under**
- **--New York 1600 GMT: Feb Pplus trades 5.20**
- **--New York 1600 GMT: Feb Poseidon trades 4.60 under**
- **--New York 1558 GMT: Feb Poseidon trades 4.35 under (AMEND)**
- **--New York 1558 GMT: Feb Mars trades 5.00 under**
- **--New York 1558 GMT: Feb HLS trades 70c under**
- **--New York 1558 GMT: Feb LLS trades flat**